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"The Defense Acquisition System -- A New Direction; A New Emphasis"

**Address of
The Under Secretary of Defense for Acquisition and Technology
Dr. Paul G. Kaminski
to the
US Special Operations Command (USSOCOM)
Advanced Planning Briefing to Industry
Tampa, FL**

April 3, 1996

Ladies and gentlemen, it is a great pleasure to be with you and share some of my views on where I think the Department of Defense is headed in acquisition, recent policy changes, and other reform efforts that may be of interest to you.

I would like also to thank General Shelton for extending an invitation to speak to you this evening. I had an opportunity to meet with General Shelton, meet many of the fine men and women of the US Special Operations Command, and see their equipment. I am extremely impressed with the equipment. But I am even more impressed by the competence and dedication of the people operating the equipment. How blessed we are as a nation.

My goal as the Defense Acquisition Executive is to bring together the operator, the acquisition staff and industry. Working together as a team—an integrated product team—is more important than ever.

DEFENSE ACQUISITION TRENDS

As I look broadly at the external environment that impacts our national security, I note that so many things have changed -- not just in the past 20 years, but in the past year or two. In the post-Cold War world, the United States no longer faces a single galvanizing threat such as the former Soviet Union. Instead, there is increased likelihood of our forces being committed to limited regional military actions – coalition operations -- in which allies are important partners.

I would sum up our current national security environment in statistical terms by saying that the mean value of our single greatest threat is considerably reduced. But the irony of the situation is that the variance of the collective threat that we must deal with, and plan for, and must counter is up.

This gives us some pause in trying to plan intelligently. In response to reduced mean value of the threat, the United States has cut end strength by about a third from

1985 levels. But at the same time, the increase in variance has caused deployments of U.S. forces to go up by a third – a fact that the special operations forces are well aware of.

As I testified to the Senate Armed Services Committee two weeks ago, the strategic focus of the defense acquisition and technology program is on fielding superior operational capability and reducing weapon system life cycle costs.

We have maintained this focus since the Gulf War. As impressive as our military accomplishments were against Saddam Hussein, our forces are qualitatively superior today. We received an inkling of what combat will look like in the 21st century in our support of the NATO combat Operation DELIBERATE FORCE in Bosnia.

In DESERT STORM, only two percent of the weapons expended during the air war were precision guided munitions (PGMs). During the NATO combat Operation DELIBERATE FORCE in Bosnia, PGMs accounted for over 90 percent of the ordnance expended by U.S. forces.

The bomb damage assessment (BDA) photographs in Bosnia bear no resemblance to BDA photos of the past where the target, often undamaged, is surrounded by craters. The Bosnia BDA photos show one crater where the target used to be and virtually no collateral damage.

We are moving to a situation of one target, one weapon – actually more than one, but less than two weapons per target in Operation DELIBERATE FORCE. This has been the promise for the past 20 years, now it is becoming a reality. Given one target one weapon, commanders need to have Dominant Battlefield Awareness to know where all the targets are on the battlefield. Sensor systems like JSTARS and UAVs will figure prominently in providing an awareness of the battlefield. To close the loop, though, commanders will need C3 to achieve Dominant Battle Cycle Time – the ability to act before the enemy can react.

In Bosnia, we are spending about \$80 million on an information-communications initiative to provide improved C3 to Operation JOINT ENDEAVOR. The initiative is improving our capabilities in two ways: first, using commercial TV satellite technology to provide a direct broadcast communications capability; and secondly, by fielding a wide bandwidth, secure tactical internet through fiber and commercial business satellite transponders to allow for distributed collaborative planning among deployed C2 (Command and Control) nodes. In this way, we're giving local commanders a 3000 mile remote control of the programming they receive through 24 megabits-per-second satellite downlinks.

What this means to our forces is that everyone with the proper receive antenna, cryptologic equipment and authentication will have access to the same data, at the same time. But, more importantly, the fielding of this capability will allow us to install and utilize, for this operation, some of the more advanced C4I capabilities being developed by the Government and industry today for use in the Global Command and Control System (GCCS).

The important messages here are: (1) we're pushing hard to make the most advanced information capabilities available to our forces; (2) we're demonstrating our willingness to use—even to lease—commercially developed systems; and (3) we've identified the need for system engineering and system integration skills to architect multiple application layers for tailoring information systems to defense needs.

MODERNIZATION TRENDS

I'd like to shift gears a little and talk about the readiness of tomorrow's forces.

The procurement drawdown is nearly over, our modernization reprieve from aging is nearly over, too. We have to start a ramp-up in modernization. That is absolutely critical to the readiness of the forces—not this year or next year, but the readiness of our forces by the end of the century.

By the year 2001, we plan for procurement budget authority to go up by about 50 percent more than what it is in the FY 1997 budget submitted to Congress. And this modernization plan will focus on building a ready, flexible, responsive force for the changing security environment in which we live.

That means we will continue to maintain technological supremacy on the battlefield, especially by seizing on advances in information technology, advanced semiconductors, computers, software and communication systems. We will also maintain strong emphasis on special operations forces and put greater emphasis on fast transportation and mobility: airlift, sealift, groundlift and trucks.

America is changing the way it fights. You will see a shift in emphasis towards enhancing delivery platforms -- ships, aircraft, and tanks—with off-board information and highly lethal, extremely accurate weapons. For example, in our support of NATO action in Bosnia, offboard surveillance information is being passed from JSTARS and unmanned aerial vehicles like the Predator to provide IFOR forces with a composite picture of the Bosnian countryside.

The Department is pursuing a “modernization” strategy in which we will be fielding fewer, but more capable systems. Because technology ramps are needed to provide a base for future modernization, I do not forecast a major drop in RDT&E

funding levels through the FYDP. Instead, we need to take a harder look at our O&S accounts . . . about 60 percent of the budget . . . as a source for procurement increases.

REDUCING CONCEPT RISK

The need to reduce the amount of "operational risk" . . . not just the "technical risk" . . . associated with a new system concept is something the Department has not paid enough attention to in the past.

We have established a new mechanism, called Advanced Concept Technology Demonstrations (ACTDs), to provide a rapid assessment of military value and operational capability before we commit to producing the system and a large dollar investment.

While this is innovative for the overall Department, ACTDs are not very different from the way the special operations and low intensity conflict (SO/LIC) community normally does business.

The close relationship you have between the user and the developer is a great advantage. Congress has supported this effort by providing us with a very powerful and flexible tool that allows for technology demonstrations and prototyping using non-procurement contracts.

MILSPECs REFORM

The old defense acquisition culture discouraged risk taking—it settled for very, very conservative performance at all levels. We are moving now to try to adjust that culture.

The first change we made was to stop the required use of military specifications—those reams of documents that spelled out in meticulous detail how contractors must design and produce a system of supplies and services. It was "safe" to specify conformance to military specifications (MILSPECs) and standards (MIL STDS).

Instead, we are going to be using commercial and performance standards which call for the highest quality standards available in the commercial market or, if there is no commercial standard, describe how we want our equipment to perform and then challenge the supplier to meet the performance standard.

We have effectively turned our procurement system on its head. A program manager in the past had to get a waiver in order to use commercial and performance standards. Now the reverse is true.

If a program manager wants to use military specifications, then he has to get a waiver in order to justify the extra cost entailed in military specifications.

I am happy to see that USSOCOM does not use MILSPECs and STDS unless approved by your program executive officer.

ACQUISITION POLICY CHANGES

We have had 10 versions of the top line policy directive and instruction (5000.1, 5000.2) since 1971. They establish the fundamental policies and procedures for all defense acquisition.

There have been several consistent themes in each successive re-write of these policy documents. . . themes like improving management, emphasizing training and education, centralizing policy but decentralizing execution, and reducing cycle time.

In recent years, later rewrites of this policy were aimed at reducing the bureaucratic layers between the program manager and the decision maker, reducing requirements creep, stabilizing funding, and reducing the acquisition paperwork burden.

It may surprise many of you that prototyping, for example, is not a new policy but has been a consistent theme since Deputy Secretary of Defense David Packard first articulated it in the early 1970s. Likewise, our policy has consistently attempted to improve the linkage between the acquisition process, the requirements process, and the budget process — we are finding this is easier said than done, but we are making progress on these fronts as well.

I would like to point out the SOCOM acquisition directives directly “mirror” the 5000 policies and procedures; and, I note with great satisfaction, that USSOCOM has streamlined the process where it made sense, such as, the MARK V and the Enhanced AAQ-17 FLIR.

On March 15, Secretary of Defense William Perry recently approved a major restructuring of defense acquisition policy and procedures. The new policy and procedures are now contained in DoD Directive 5000.1 and DoD Regulation 5000.2-R.

The new policy documents emphasize several important themes, including teamwork, tailoring, empowerment, cost as an independent variable, and best practices. These themes represent radical departures from the way the Pentagon has traditionally done business.

Rather than shackling employees with rigid rules and regulations, the new approach sets forth a minimal set of mandatory policies and procedures and encourages members of the acquisition workforce to use their professional discretion to manage risk and tailor acquisition strategies.

Some of the major accomplishments of the new policy and procedures documents include:

- **Implementing Landmark Legislation...** the new documents fully implement the Federal Acquisition Streamlining Act of 1994;
- **Minimizing Mandatory Direction...** the new policies encourage program managers to tailor acquisition strategies by containing only a minimal set of mandatory direction... other useful, non-mandatory information will be contained in the soon-to-be released Defense Acquisition Desk Book, a computerized reference set for acquisition professionals;
- **Achieving Policy Integration...** the new policies consolidate acquisition policy and procedures for both weapon systems and automated information systems;
- **Decentralizing Policy Execution...** mandatory procedures are set forth only for major programs;
- **Institutionalization of New Ways of Doing Business...** the new policies institutionalize the use of Integrated Product Teams (IPTs) to bring all functional disciplines together as a team;
- **Regulatory Streamlining...** the previous version of the 5000 policy documents was nearly 900 pages long... the new version is only 160 pages;
- **Streamlining Paperwork...** the policy documents mandate standard formats for only a handful of reports and authorize cancellation of the DoD 5000.2-M, a 300-plus page manual that fostered a "one-size-fits-all" approach to reporting;
- **Simplifying the Acquisition Decision Process...** the new policy eliminates the former Milestone IV decision point and establishes a preference for one formal, DAB-level production review—either at the low rate or full rate point;
- **Encouraging Innovation...** and finally, the new policy encourages non-traditional approaches such as Advanced Concept Technology Demonstrations and rapid prototyping.

To produce the new policy documents, the Department "practiced some of the reforms being preached."

The documents, for example, were produced by an Integrated Product Team -- the 5000 Working Group. Using the IPT approach, the Working Group was able to draft and coordinate the documents in only nine months, compared to the Department's historical two-year average.

ACQUISITION REFORM ACCOMPLISHMENTS

The Department has begun implementing many of these policy changes. In particular, five Defense Acquisition Pilot Programs (DAPPs) are trailblazing implementation of the Department's regulatory acquisition reforms. These programs are achieving significant cost and schedule benefits from 15 to 50 percent as a result of reductions in the use of military standards, contract data requirements, solicitation length and complexity, and source selection cycle time.

The JDAM program, for example, projects a 34 percent reduction in development time and a unit cost savings of over 50 percent with an associated total production cost avoidance of \$2.9 billion. The JDAM program capitalized on a "commercial environment" to procure proven technology with an 85 percent reduction in plant oversight.

The Army's FSCATT program eliminated unique military standards, and reduced data requirements from 56 to seven. In-house source selection hours were slashed by 30 percent. Development time and costs were reduced by 33 and 34 percent respectively. In addition, the innovative use of commercial-style milestone billing on this program is expected to significantly reduce contract administration costs.

JPATS acquisition reform initiatives enabled a 50 percent reduction in military standards and a 60 percent reduction in contract data requirements. These efforts resulted in a reported 12 percent reduction in development time and a 50 percent savings in program office staffing.

McDonnell Douglas quickly responded to the NDAA competition and the Department's should-cost efforts by aggressively attacking cost drivers, resulting in a 25 percent reduction in projected C-17 costs. The recent milestone decision to purchase 80 additional C-17s, in lieu of the NDAA, reflects the benefits of the commercial-style NDAA competition. In addition, a further \$896 million savings is anticipated as a result of the C-17 multi-year procurement request being considered by the Congress.

SUMMARY

In conclusion, our defense planning assumes that we will get significant savings by overhauling our defense acquisition system. The idea is to be more efficient in what we buy; how we buy it; and how we oversee that buying process.

I believe we have made an excellent start in moving the defense acquisition system in a new direction—one that secures the Department's long-term modernization strategy; meets the national security needs of the nation; and preserves a legacy of technological superiority for U.S. forces in the 21st Century.